SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1941

No. 649

MISHAWAKA RUBBER AND WOOLEN MANUFACTURING COMPANY, *Petitioner,*

vs.

S. S. KRESGE COMPANY.

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SIXTH CIRCUIT

BRIEF OF AMICUS CURIAE

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INDEX

	PAGE
Preliminary Statement	1
Questions Discussed	2
Short Statement of Facts	2
Summary of Argument	3
ARGUMENT:	
I. The Trade-Mark Act of 1905, as amended, provides a comprehensive scheme for the registration and protection of trade-marks and vests the Federal Courts with jurisdiction of litigation arising under this Act	4
1. Analysis of Trade-Mark Act	4
2. Jurisdiction of federal courts in trade-mark litigation	7
3. Federal nature of questions arising in trade-mark litigation	7
A. The validity of registered trade-marks	8
B. The issue of infringement	9
C. The accounting	12
D. Defenses	13
4. Federal trade-mark registration is limited to interstate commerce	14
II. Erie *v.* Tompkins is not applicable to litigation involving trade-marks registered under the Act of 1905	15
Conclusion	25

Table of Cases

PAGE

Adams Express Co. *v.* Cronninger, 226 U. S. 491 (1913) 23
American Steel Foundries *v.* Robertson, 269 U. S. 372 (1926) 8, 14
American Trading Co. *v.* H. E. Heacock Co., 285 U. S. 247 (1932) 8, 14
Ammon & Person *v.* Narragansett Dairy Co., 254 Fed. 208 (1918), aff'd 262 Fed. 880 (C.C.A. 1st, 1919) 12
Armstrong Paint and Varnish Works *v.* Nu-Enamel Corp., 305 U. S. 315 (1938) 23
Atlas Life Ins. Co. *v.* Southern, 306 U. S. 563 (1939) .. 11

Beckwith, Estate of P. D. *v.* Commissioner of Patents, 252 U. S. 538 (1920) 8
Board of County Commissioners *v.* U. S., 308 U. S. 343 (1939) 17, 21, 22
Boyle *v.* Zacharie, 6 Pet. 648 (1832) 11

Champion Spark Plug Co. *v.* Emener, 16 F. Supp. 816 (1936) 12
Cities Service Oil Co. *v.* Dunlap, 308 U. S. 208 (1939) . 11
City of Yonkers *v.* Downey, 309 U. S. 590 (1940) 20

Deitrick *v.* Greaney, 309 U. S. 190 (1940) 18, 21
D'Oench, Duhme & Co. Inc. *v.* Federal Deposit Ins. Corp., 62 Sup. Ct. 676 (1942) 11, 15, 16, 19, 20

Erie *v.* Tompkins, 304 U. S. 64 (1938) 2, 3, 11, 12, 15, 16, 17, 19, 20, 21, 22, 23, 24

Golden West Brewing Co. *v.* Milonas & Sons, 104 Fed. (2d) 880 (C.C.A. 9th, 1939) 12, 13

Hinderlider *v.* LaPlata River & Cherry Creek Ditch Co., 304 U. S. 92 (1938) 16, 21
Holland *v.* C. & A. Import Corp., 8 F. Supp. 259 (1934) 8

Irving Trust Company *v.* Day, 86 L. Ed. 349 (1942) 16, 17

PAGE

Kellogg Co. *v.* National Biscuit Co., 305 U. S. 111 (1938) 23
Klaxon Co. *v.* Stentor Electric Mfg. Co., 313 U. S. 487 (1941) 15

Livingston *v.* Story, 9 Pet. 632 (1835) 11

Mason *v.* U. S., 260 U. S. 545 (1923) 11
Matzger *v.* Vinikow, 17 Fed. (2d) 581 (C.C.A. 9th, 1927) 12
Mississippi Mills *v.* Cohn, 150 U. S. 202 (1893) 11

National Candy Co. *v.* Federal Trade Commission, 104 Fed. (2d) 999 (C.C.A. 7th, 1939), cert. den. 308 U. S. 610 (1939) 10, 17
Neves *v.* Scott, 13 How. 268 (1851) 11
Northern Paper Mills, Re, 64 Fed. (2d) 998 (C.C.P.A., 1933) 8

O'Brien *v.* Western Union Telegraph Co., 113 F. (2d) 539 (C.C.A. 1st, 1940) 23

Payne *v.* Hook, 74 U. S. 425 (1869) 11
Pease *v.* Scott County Milling Co., 5 Fed. (2d) 524 (1925) 12
Pecheur Lozenge Co. *v.* National Candy Company, 122 Fed. (2d) 318 (C.C.A. 3d, 1941), cert. granted 62 Sup. Ct. 182 (1941) 24
Pusey & Jones Co. *v.* Hanssen, 261 U. S. 491 (1923) 11

Rawlings *v.* Ray, 312 U. S. 96 (1941) 18, 21
Robinson *v.* Campbell, 3 Wheat. 212 (1818) 11
Rosenberg Bros. & Co. *v.* Elliott, 7 Fed. (2d) 962 (C.C.A. 3rd, 1925) 12
Royal Indemnity Co. *v.* U. S., 313 U. S. 289 (1941) 18, 21
Ruhlin *v.* New York Life Ins. Co., 304 U. S. 202 (1938) 11
Russell *v.* Todd, 309 U. S. 280 (1940) 11

Salvage Process Corp. et al. *v.* Acme Tank Cleaning Process Corp., 104 Fed. (2d) 105 (C.C.A. 2d, 1939), cert. den. 308 U. S. 599 (1939) 17

PAGE

Saxlehner *v.* Siegel-Cooper Co., 179 U. S. 42 (1900) .. 12
Sheldon *v.* Metro-Goldwyn Pictures Corp., 309 U. S. 390 (1940) 22
Southern Express Co. *v.* Byers, 240 U. S. 612 (1916) 23
Straus *v.* Notaseme Hosiery Co., 240 U. S. 179 (1916) 12

Thaddeus Davids Co. *v.* Davids, 233 U. S. 461 (1914) .. 9, 21
Trade-mark Cases, 100 U. S. 82 (1879) 14

United Drug Co. *v.* Rectanus Co., 248 U. S. 90 (1918) 14
United States *v.* Howland & Allen, 4 Wheat. 108 (1819) 11
U. S. Printing and Lithograph Co. *v.* Griggs, Cooper & Co., 279 U. S. 156 (1929) 9, 14

Vaigneur *v.* Western Union Telegraph Co., 34 F. Supp. 92 (E. D. Tenn., 1940) 23

Walgreen Co. *v.* Godefroy Mfg. Co., 74 Fed. (2d) 127 (C.C.P.A., 1934) 8
Walgreen Drug Stores, Inc. *v.* Obear-Nester Glass Co., 113 Fed. (2d) 956 (C.C.A. 8th, 1940), cert. den. 311 U. S. 708 (1940) 9
Weil *v.* U. S., 115 Fed. (2d) 999 (C.C.A. 2d, 1940), cert. den. 313 U. S. 574 (1941) 17
West *v.* American Tel. & Tel. Co., 311 U. S. 223 (1940) 11
Western Union Telegraph Co. *v.* Boegli, 251 U. S. 315 (1920) 23
Western Union Telegraph Co. *v.* Brown, 234 U. S. 542 (1914) 23
Wichita Royalty Co. *v.* City National Bank, 306 U. S. 103 (1939) 20

Statutes

	PAGE
Copyright Act:	
Section 25	22
Judicial Code:	
Section 24	7
Rule of Decisions Act	16
Trade-Mark Act of 1905:	
Section 17	7
Section 21	13
28 U. S. C., Sec. 41, subdivisions First(a) and Seventh	2

Textbooks, etc.

Developments in the Doctrine of Erie Railroad Co. *v.* Tompkins (1942), 9 U. of Chicago L. R. 308	11
Dye, Development of the Doctrine of Erie Railroad *v.* Tompkins (1940), 5 Mo. L. R. 193	11
Erie Railroad Co. *v.* Tompkins (1942), 9 U. of Chicago L. R. 308 (1940), 5 Mo. L. R. 193	11
Frankfurter, The Distribution of Judicial Power Between the United States and State Courts (1928), 13 Cornell Law Quarterly 499	15
McCormick and Hewins, The Collapse of "General" Law in the Federal Courts (1938), 33 Illinois Law Review 136	23
Schechter, Fog & Fiction in Trademark Protection (1936), 36 Col. L. R. 60	14
State Statutes and the Federal Equity Courts (1932), 32 Col. L. R. 688	11

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BRIEF OF AMICUS CURIAE

Preliminary Statement

The petitioner is the proprietor of trade-marks registered in the United States Patent Office.

All owners of registered trade-marks whose products are nationally advertised and distributed in interstate and foreign commerce are naturally interested in the question whether their rights and obligations arising out of the registration of their trade-marks are governed by uniform federal law or diverse state laws.

One of the questions considered by the court below is whether the doctrine of *Erie R. Co.* v. *Tompkins*, 304 U. S. 64 (1938), applies to litigations involving registered trade-marks. This question will undoubtedly be considered by this Court on its review of the judgment below. Its decision of this point may have far-reaching effects.

The petitioner therefore desires to be heard on the applicability of the *Erie* doctrine to litigation involving trade-marks registered under the Trade-Mark Act of 1905 and will argue that federal law governs such litigation.

Question Discussed

The question to be discussed in this brief is whether the rule of *Erie R. Co.* v. *Tompkins*, 304 U. S. 64 (1938), is applicable to litigations in the federal courts respecting trade-marks registered under the Trade-Mark Act of 1905, as amended.

Short Statement of Facts

This is a suit for the infringement of a registered trade-mark and unfair competition in which the plaintiff seeks an injunction and an accounting for profits and damages (R. 133).* The District Court derived its jurisdiction from the fact that the suit arose under the trade-mark laws of the United States (15 U.S.C. sec. 97; 28 U.S.C. sec. 41, subdivisions First (a) and Seventh), and was between citizens of different states (R. 1-2). The District Court granted a limited injunction and account-

* Petitioner's trade mark was initially registered under the Trade-Mark Act of 1881 (R. 133) and was renewed May 28, 1931 (R. 135-7) (119 Fed. 2d 316, 321). Renewal of the registration brought the mark under the provisions of the 1905 Act and gave it "the same force and effect" as if registered under that act. (Sec. 12; 15 U.S.C. sec. 92.)

ing (R. 123, 131).** The Court of Appeals for the Sixth Circuit affirmed (R. 153; 119 Fed. (2d) 316) stating that the "substantive rights" of the parties were governed by local law under *Erie* v. *Tompkins*. The Court, however, pointed out that no claim was made that there was any difference between local and federal law and it therefore cited both Federal and Michigan precedents in support of its rulings (119 Fed. (2d) 316, 322). This Court granted certiorari on November 10, 1941 (R. 164; 62 Sup. Ct. 183), limiting its review to the first two questions presented in the petition.

Summary of Argument

The Trademark Act of 1905, as amended, provides a comprehensive scheme for the registration and protection of trademarks and vests the federal courts with jurisdiction of litigation arising under this Act. The questions which arise in such litigation, particularly those relating to the accounting of profits and the recovery of damages, are federal questions governed by federal law, to which the doctrine of *Erie* v. *Tompkins* is inapplicable.

** So far as protection of the plaintiff's mark was sought on the basis of its federal registration, jurisdiction rested upon 15 U.S.C. sec. 97 and 28 U.S.C. sec. 41, subdivisions First (c) and Seventh. In so far as relief might be sought apart from the registration of the mark, jurisdiction would be founded on diversity. In this brief, we treat that aspect of the case which turns upon the federal registration of the mark, and the fact that diversity of citizenship was also relied upon by the plaintiff in no wise alters the legal situation in respect of litigation involving registered trademarks. The questions which are before this Court under its writ of certiorari relate to provisions of the Trade-Mark Act of 1905 respecting accounting and damages, and hence the allegations in the pleadings concerning diversity of citizenship are immaterial so far as these questions are concerned.

ARGUMENT

I

The Trade-Mark Act of 1905, as amended, provides a comprehensive scheme for the registration and protection of trade-marks and vests the Federal Courts with jurisdiction of litigation arising under this Act.

1. *Analysis of Trade-Mark Act.* The Act of 1905, as amended, creates a comprehensive system for the registration and protection of trade-marks used in interstate and foreign commerce. Marks satisfying the conditions of registration prescribed by Section 5 may be registered in the United States Patent Office in accordance with a statutory procedure described in sections 1 to 9.[1]

The statute defines a trade-mark as including "any mark which is entitled to registration under the terms of this Act" (Sec. 29; 15 U.S.C. sec. 108). Under Section 5, any mark which may distinguish the goods of its owner

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1. Sections 1 and 2 relate to the application for the registration of a trade-mark in the Patent Office. Section 3 provides for the designation of a person upon whom service may be made, where the applicant for registration is not domiciled within the United States. Section 4 has to do with the application of marks registered in foreign countries affording reciprocal privileges to American registrants. Section 6 provides for examination of the application by the Patent Office and for opposition proceedings. Section 7 authorizes the Commissioner of Patents to declare an interference where the applicant's mark is substantially identical with or "so nearly resembles" another trade-mark, as in the opinion of the Commissioner "to be likely to be mistaken therefor by the public". Section 8 relates to appeals from the examiner of interferences to the Commissioner, and Section 9, for appeals to the United States Court of Customs and Patent Appeals from the decisions of the Commissioner. Section 10 deals with assignments of registered trade-marks; Section 11, with the issuance of certificates of registration; Section 12, with the duration and renewal of registrations; Section 13, with cancellation proceedings, Sections 14 and 15, with the fees payable in various proceedings in the Patent Office. Section 25 provides that any person who shall procure the registration of a trade-mark by false or fraudulent representations is liable for "any damages sustained in consequence thereof to the injured party". The Commissioner of Patents is granted rule-making power by Section 26. Section 28 requires that notice of registration be given to the public.

from other goods of the same class is entitled to registration, provided such mark does not fall within certain prohibited categories.[2]

Registration is *prima facie* evidence of ownership (Sec. 16; 15 U.S.C. sec. 96). No one may use in interstate or foreign commerce any "reproduction, counterfeit, copy, or colorable imitation" of a registered trade-mark (Sec. 16; 15 U.S.C. sec. 96). The federal courts are given jurisdiction "of all suits at law or in equity respecting trade-marks registered in accordance with the provisions of this act, arising under the present act, without regard to the amount in controversy" (Sec. 17; 15 U.S.C. sec. 97).[3]

Section 19 (15 U.S.C., sec. 99) confers upon the federal courts the "power to grant injunctions, according to the course and principles of equity, to prevent the violation of any right of the owner of a trade-mark registered under this act on such terms as the court may deem reasonable". An injunction so granted is operative throughout the United States (Sec. 20; 15 U.S.C. sec. 100).

Damages may be recovered in an action at law (Sec. 16; 15 U.S.C., sec. 96). Profits and damages may be awarded in a proper case in equity upon a finding of

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2. The statute denies registration to the following classes of marks: (a) immoral or scandalous matter; (b) a flag or coat of arms or other insignia of the United States or municipalities or foreign nations or designs of fraternal societies; (c) marks identical with registered or known trade-marks appropriated to merchandise of the same descriptive properties or those "which so nearly resemble a registered or known trade-mark", "as to be likely to cause confusion or mistake in the mind of the public or to deceive purchasers"; (d) marks consisting of the names of individuals, firms, corporations or associations not written or printed in a particular "or distinctive manner"; (e) words or devices which are descriptive of the goods or the character or quality thereof; (f) merely geographical names or terms; (g) portraits of living individuals, except upon written consent of such individuals.

A special proviso permits the registration of marks, otherwise non-registrable, which have been in actual and exclusive use for the ten year period next preceding the enactment of the statute.

3. Under Sec. 18, the Supreme Court is given jurisdiction to review on certiorari the decisions of the Circuit Courts of Appeal.

infringement (Sec. 19; 15 U.S.C. sec. 99). In assessing profits "the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of costs which are claimed" (Sec. 19; 15 U.S.C. sec. 99). Damages may be trebled "according to the circumstances of the case" (Sec. 16; 15 U.S.C. sec. 96). The court, having found infringement, may order that "all labels, signs, prints, packages, wrappers, or receptacles" bearing the infringing mark "shall be delivered up and destroyed" (Sec. 20; 15 U.S.C. sec. 100).

No action or suit may be maintained under the statute where the plaintiff is guilty of unclean hands, where the mark has been used in an unlawful business or upon an injurious article, where the mark has been abandoned or where the certificate of registration has been fraudulently obtained (Sec. 21; 15 U.S.C. sec. 101). The statute leaves undisturbed any rights and remedies which might exist if "this act had not been passed" (Sec. 23; 15 U.S.C. sec. 103).[4]

While the statute is essentially a registration act and does not purport comprehensively to codify the law of trademarks, it nevertheless deals with the important problems of validity, infringement, remedies and defenses. It specifies what marks may be registered (validity); it interdicts certain uses of registered marks (infringement); it outlines the remedies which are available to the registrant (remedies); and it, in part, enumerates the conditions under which a registered mark will be denied protection (defenses).

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4. The full text of section 23 follows: "That nothing in this act shall prevent, lessen, impeach, or avoid any remedy at law or in equity which any party aggrieved by any wrongful use of any trade-mark might have had if the provisions of this act had not been passed".

2. *Jurisdiction of Federal Courts in Trade-Mark Litigation.* The jurisdiction of the federal courts in litigations involving registered trademarks is derived from two sources: (a) the Trade-Mark Act of 1905 and (b) the Judicial Code.

Section 17 of the Act of 1905 (15 U.S.C., sec. 97) reads as follows:

> "The district and Territorial courts of the United States and the district court of the United States for the District of Columbia shall have original jurisdiction, and the circuit courts of appeal, of the United States and the United States Court of Appeals for the District of Columbia shall have appellate jurisdiction of all suits at law or in equity respecting trade-marks registered in accordance with the provisions of this act, arising under the present act, without regard to the amount in controversy."

Section 24 of the Judicial Code (28 U.S.C., sec. 41) provides:

> "The district courts shall have original jurisdiction as follows: * * * First, of all suits of a civil nature, at common law or in equity, * * * where the matter in controversy exceeds, exclusive of interest and costs, the sum or value of three thousand dollars, and (a) arises under the Constitution or laws of the United States, or treaties made, or which shall be made, under their authority, * * * Seventh. Of all suits at law or in equity arising under the patent, the copyright, and the trade-mark laws."

3. *Federal Nature of Questions Arising in Trademark Litigation.* A careful analysis of the Trademark Act of 1905 discloses that the questions which are litigated under that Act are essentially federal in nature.

A. *The Validity of Registered Trade-Marks.* As we have seen, Section 5 prescribes the conditions entitling a mark to registration. Although this section is cumbrously drafted, its meaning is not difficult of ascertainment. The affirmative quality which is required of a mark is that it distinguish the goods upon which it is applied. The exclusion from registration of numerous classes of marks sheds light on the types of mark which are entitled to the advantages of registration. Thus, the clear implication of the provision prohibiting the registration of descriptive terms is that words which are non-descriptive, viz.: fanciful and distinctive, may be registered.

The common law drew similar distinctions between fanciful and arbitrary terms, on the one hand, and descriptive and geographical terms, on the other. For this reason, common law precedents are of undoubted value in the construction and administration of the statute. It is important to observe, however, that Section 5 is entirely self-contained and establishes a meaningful yardstick for determining what marks are entitled to be registered. While the Patent Office and the courts have traditionally referred to common law precedents,[5] it has never been held by this Court that the law of any particular state is determinative of the registrability under the statute of a mark used in interstate or foreign commerce.

We do not assert that "substantive rights" are derived from registration under this statute. The contrary has been repeatedly declared.[6] Rights in a mark result from

5. See *Holland* v. *C. & A. Import Corp.*, 8 F. Supp. 259, 261 (1934); *Re Northern Paper Mills*, 64 Fed. (2d) 998-999 (C.C.P.A., 1933); *Walgreen Co.* v. *Godefroy Mfg. Co.*, 74 Fed. (2d) 127, 128-9 (C.C.P.A., 1934).

6. *Beckwith* v. *Commissioner of Patents*, 252 U. S. 538-543 (1920); *American Steel Foundries* v. *Robertson*, 269 U. S. 372, 381-2 (1926); *American Trading Co.* v. *H. E. Heacock Co.*, 285 U. S. 247, 257-8 (1932).

use and not from mere registration.[7] Registration, however, as pointed out by Mr. Justice Hughes in *Thaddeus Davids Co.* v. *Davids*, 233 U. S. 461, 471 (1914), makes "the right to be protected against an unwarranted use of the registered mark * * * a statutory right".

The distinctions between the "substantive" rights in a mark and their "procedural" enforcement tend in practice to become metaphysical. It is clear that a protectable interest in a trademark may be obtained entirely apart from its registration. Once the mark, however, is registered, its protection falls within the comprehensive framework of the statute.[8]

It does not follow from the fact that registration does not enlarge the "substantive" rights of a trade-mark proprietor that the validity of a *registration* under the statute or the scope of protection afforded a registered mark is governed by the laws of the several states. The privilege of registration and the rights and advantages flowing therefrom are created and defined by federal statute and hence are necessarily federal questions.

B. *The Issue of Infringement.* Infringement is defined in the statute as the "reproduction, counterfeit, copy, or colorable imitation" of a registered trade-mark (Section 16; 15 U.S.C., sec. 96). There is no significant difference between the statutory test of infringement and that of the common law. Indeed, both sections 2 and 5 use the more familiar language of the common law in barring the registration of a mark which is "identical" or "which so nearly resemble a registered or known" mark

7. *United States Printing and Lithograph Co.* v. *Griggs, Cooper & Co.*, 279 U. S. 156, 157 (1929); *Walgreen Drug Stores Inc.* v. *Obear-Nester Glass Co.*, 113 Fed. (2d) 956, 960 (C.C.A. 8th, 1940), cert. den. 311 U. S. 708 (1940).

8. To be sure, the registrant under section 23 may rely exclusively upon his common law rights, but in that event, he can obtain none of the advantages of his registration.

"as to be likely to cause confusion or mistake in the mind of the public or to deceive purchasers".

The fact that the statute codifies the common law test of infringement does not mean that the laws of the several states govern whether a registered trade-mark has been infringed by another mark used in interstate commerce. The federal Constitution and many federal statutes contain terms which have a common law history and significance. Certainly it would not be argued, for example, that the common law phrases "restraint of trade" and "monopoly" as used in the Sherman Anti-Trust Act, or "unfair methods of competition" as used in the Federal Trade Commission Act, require federal courts in suits under these statutes to apply the law of the various states in which the offending acts occurred.[9]

Section 19 endows the federal courts with "power to grant injunctions, according to the course and principles of equity, to prevent the violation of any right of the owner of a trade-mark registered under this act, on such terms as the court may deem reasonable." This section, coupled with the jurisdictional provisions of Section 17, is the source of authority of the federal courts to issue injunctions to repress infringements of registered trade-marks.

The course and principles of equity referred to by the statute are clearly the body of general law developed by the federal courts. Of significance in this connection is the provision that injunctions shall be issued "on such terms as the court may deem reasonable". "The court" indubitably refers to the federal courts.

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9. See *National Candy Co.* v. *Federal Trade Commission*, 104 Fed. (2d) 999 (C.C.A. 7th, 1939) cert. den. 308 U. S. 610 (1939).

This construction of the statute is fortified by Section 20 which provides that an injunction issued by a federal court shall be operative throughout the United States. The authority to grant such an injunction would appear to negate the applicability of the laws of the several states.

Parenthetically it may be noted that the question appears still to be open whether *Erie* v. *Tompkins* applies to suits in equity even where jurisdiction rests upon diversity.[10] Here where the authority to grant an injunc-

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10. See *Russell* v. *Todd*, 309 U. S. 280, 287, 294 (1940); *D'Oench, Duhme & Co. Inc.* v. *Federal Deposit Ins. Corp.*, 62 Sup. Ct. 676, at 683 fn. (1942); *Atlas Life Ins. Co.* v. *Southern*, 306 U. S. 563 (1939); *Ruhlin* v. *New York Life Ins. Co.*, 304 U. S. 202 (1938); *West* v. *American Tel. & Tel. Co.*, 311 U. S. 223, 226 (1940); *Cities Service Oil Co.* v. *Dunlap*, 308 U. S. 208 (1939).

It will be remembered that equity proceedings in the federal courts were early put upon a separate footing from actions at law and that they have had a distinct constitutional and statutory history. (Constitution, Art. III, §2; Judiciary Act of 1789, §11 [28 U.S.C. §41-1]; Id. §16 [Adequacy of Legal Remedy; 28 U.S.C. §384]; Process Acts of 1789 and 1792 (1 Stat. 93, 276; 28 U.S.C. §723); Equity Rules of 1822 [7 Wheat. xvii]; Compare; Rules of Decision Act, Judiciary Act of 1789, §34 [28 U.S.C. §725]; Conformity Act [17 Stat. 197, 1872; 28 U.S.C. §724]; Constitution Amendment VII. See The Federalist, Nos. 80, 83; Warren, New Light on the History of the Federal Judiciary Act of 1789 (1923), 37 Harv. L. R. 49, 78-9, 96, 99 et seq.; Moschzisker, Equity Jurisdiction in the Federal Courts (1927), 75 U. of Pa. L. R. 287). Thus, for example, equity procedure, from an early date, has been governed by federal statute and rule. (Process Acts of 1789 and 1792, and Equity Rules of 1822, *supra*). Only recently have rules been promulgated for actions at law in the federal courts superseding the provision of the Conformity Act of 1872.

There is ample authority in the earlier decisions of this Court to the effect that federal law is determinative of the substantive principles of equity administered in the federal courts. (*Robinson* v. *Campbell*, 3 Wheat. 212, 222-3 [1818]; *U. S.* v. *Howland & Allen*, 4 Wheat. 108, 115 [1819]; *Boyle* v. *Zacharie*, 6 Pet. 648, 658-9 [1832]; *Livingston* v. *Story*, 9 Pet. 632, 655 [1835]; *Neves* v. *Scott*, 13 How. 268, 271-2 [1851]; *Payne* v. *Hook*, 74 U. S. 425, 430 (1869)). The contrary has also been intimated. (*Mason* v. *U. S.*, 260 U. S. 545, 558-9 (1923); *Erie R. Co.* v. *Tompkins*, 304 U. S. 64, 72 (1938); see Note, Developments in the Doctrine of *Erie Railroad Co.* v. *Tompkins*, (1942) 9 U. of Chicago L. R. 308; Dye, Development of the Doctrine of *Erie Railroad* v. *Tompkins*, (1940) 5 Mo. L. R. 193, 196. See also *Pusey & Jones Co.* v. *Hanssen*, 261 U. S. 491 (1923); *Mississippi Mills* v. *Cohn*, 150 U. S. 202, 205-6 (1893); Note, State Statutes and the Federal Equity Courts (1932), 32 Col. L. R. 688).

The difficulties of applying the *Erie* principle to equity litigation is evidenced by *Atlas Life Ins. Co.* v. *Southern*, 306 U. S. 563. The diverse origins and development of the equity powers of the courts of the several states, (The Federalist No. 83; Warren, loc. cit. *supra*, p. 96; Moschzisker, loc. cit. *supra*, pp. 289-290; 1 Pomeroy, Equity Jurisprudence, 5th Ed. 1941, §§40-42a; Roscoe Pound, Book Review (1924), 37 Harv. L. R. 396, 397), and the diversity of federal legislation applicable to equity suits in the federal courts, (*Atlas Life Ins. Co.* v. *Southern*, *supra*), exemplify the difficulties.

tion is expressly provided for by federal statute, it is clear that *Erie* v. *Tompkins* can have no application.

C. *The Accounting.* Damages may be recovered in an action at law maintained under the statute (Sec. 16; 15 U.S.C., sec. 96). Profits as well as damages may be awarded as incidental relief in a suit in equity upon a decree being rendered restraining the wrongful use of a trademark (Sec. 19, 15 U.S.C., sec. 99). The statute provides for the trebling of damages in proper cases. Specific provisions are found in Section 19 in respect of the accounting. The statute reads:

> "and in assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost which are claimed."

A large body of doctrine has been developed by the federal courts with respect to the occasion for and the scope of an accounting as a matter of general law under the statute. Thus, the granting of an accounting is discretionary with the court depending upon the circumstances of the case.[11] The bona fides or innocence of the defendant is a factor in determining whether an accounting will be ordered.[12] The accounting will be denied where it is apparent that the expenses of the accounting will exceed the profits and damages to be paid.[13] Accountings have been denied where the plaintiff has been guilty of

11. See cases cited *infra*, notes 12-15.

12. See *Ammon & Person* v. *Narragansett Dairy Co.*, 254 Fed. 208, 209 (1918), aff'd 262 Fed. 880, 884-5 (C.C.A. 1st, 1919); *Golden West Brewing Co.* v. *Milonas & Sons*, 104 Fed. (2d) 880, 882 (C.C.A. 9th, 1939); *Champion Spark Plug Co.* v. *Emener*, 16 F. Supp. 816, 826 (1936); *Pease* v. *Scott County Milling Co.*, 5 Fed. (2d) 524, 526-7 (1925); *cf. Saxlehner* v. *Siegel-Cooper Co.*, 179 U. S. 42, 43 (1900); *Straus* v. *Notasemo Hosiery Co.*, 240 U. S. 179 (1916).

13. *Rosenberg Bros. & Co. v. Elliott*, 7 Fed. (2d) 962, 967 (C.C.A. 2d, 1925); See *Matzger* v. *Vinikow*, 17 Fed. (2d) 581, 583-4 (C.C.A. 9th, 1927).

laches, acquiescence, estoppel, or other inequitable conduct.[14]

There is no indication in the statute that Congress intended that the laws of the several states should govern the minutiae of the rules respecting the accounting. It is clear that the subject of accounting in trademark suits is dealt with by the statute. It is submitted that the federal courts acting in accordance with the course and principles of equity were endowed by Congress with authority to determine all of these questions without regard to the law of the states in which they sit or in which the alleged wrongful acts took place. The rules of the account developed by the federal courts fall within the general framework of the statute and are necessarily interstitial in nature. Hopeless confusion would necessarily result if the federal courts were to apply a conglomeration of state and federal law in this regard.

D. *Defenses.* The trademark act does not purport to codify all the defenses that are available in trademark litigation. Section 21 (15 U.S.C., sec. 101) provides:

> "That no action or suit shall be maintained under the provisions of this act in any case when the trade-mark is used in unlawful business, or upon any article injurious in itself, or which mark has been used with the design of deceiving the public in the purchase of merchandise, or has been abandoned, or upon any certificate of registration fraudulently obtained."

Manifestly, the defenses embraced by this section are governed by federal law although the cognate decisional law of the states is undoubtedly persuasively relevant.

14. *Golden West Brewery Co.* v. *Milonas*, 104 Fed. (2d) 880, 882 (C.C.A. 9th, 1939).

So much of the field being covered by the statute, it would seem apparent that federal law is controlling in the case of the other traditional defenses. Unless the law of trade-marks is to become a hybrid of disconnected rules, stemming from separate and unrelated sources and having separate logics and histories, it is manifest that there should be one system of law in the federal courts applicable to litigations respecting registered marks. Such an integrated system, we believe, is contemplated by the Act of 1905.

4. *Federal Trade-mark Registration Is Limited to Interstate Commerce.* The Act of 1905, as its title expressly indicates, was enacted by Congress in the exercise of its constitutional authority over interstate commerce.

The only marks which may be registered are those which have been used in interstate or foreign commerce.[15] The jurisdiction of the federal courts to repress infringement is limited to the use of the offending mark in interstate commerce.[16] It is thus apparent that the Trade-mark Act and the rules developed by the federal court in its construction, application and enforcement relate exclusively to the field of interstate commerce—a field in which historically the federal law has been supreme.[17]

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15. Section 1; 15 U.S.C. sec. 81.

16. Section 16; 15 U.S.C. sec. 96; *U. S. Printing and Lithograph Co.* v. *Griggs, Cooper & Co.*, 279 U. S. 156 (1929).

17. The intimations in the cases that federal legislation dealing with the substantive aspects of the law of trade-marks might be unconstitutional (*Trade-mark Cases*, 100 U. S. 82, 95 [1879]; *United Drug Co.* v. *Rectanus Co.*, 248 U. S. 90, 99 [1918]; *American Steel Foundries* v. *Robertson*, 269 U. S. 372, 381-2 [1926]; *American Trading Co.* v. *H. E. Heacock Co.*, 285 U. S. 247, 257-8 [1932]) mean nothing more than that there is no independent constitutional source of congressional power to legislate on the law of trade-marks, such as there is in the case of patents and copyrights (Constitution, Article I, section 8). These cases do not negate the power of Congress acting under the commerce clause to legislate substantively on the law of trade-marks. (See *Schechter, Fog & Fiction in Trademark Protection* (1936), 36 Col. Law Rev. 60, 67-79), just as Congress has in the Federal Trade Commission Act and in the National Labor Relations Act legislated on the law of unfair trade and labor practices.

II

Erie v. _Tompkins_ is not applicable to litigation involving trade-marks registered under the Act of 1905.

The doctrine of *Erie* v. *Tompkins* was enunciated in a case in which jurisdiction was based entirely upon diversity of citizenship, one of the two principal heads of federal jurisdiction.[1] The evils which this Court sought to eliminate in this decision are those peculiar to diversity cases. Mr. Justice Brandeis stated (304 U. S. at 74, 75):

> "Swift *v.* Tyson introduced grave discrimination by non-citizens against citizens. It made rights enjoyed under the unwritten 'general law' vary according to whether enforcement was sought in the state or in the federal court; and the privilege of selecting the court in which the right should be determined was conferred upon the non-citizen. Thus, the doctrine rendered impossible equal protection of the law."[2]

In promulgating the *Erie* doctrine, this Court was careful to point out that it had no application to matters governed by the Federal Constitution or by Acts of Congress. Mr. Justice Brandeis stated at p. 78:

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1. See Frankfurter, The Distribution of Judicial Power Between the United States and State Courts (1928), 13 Cornell Law Quarterly 499, 507 ff.

2. "* * * the accident of diversity of citizenship would constantly disturb equal administration of justice in co-ordinate state and federal courts sitting side by side". Mr. Justice Reed in *Klaxon Co.* v. *Stentor Electric Mfg. Co.*, 313 U. S. 487, at 496 (1941).

"These recent cases, like *Swift* v. *Tyson* which evoked them, dealt only with the very special problems arising in diversity cases, where Federal jurisdiction exists to provide nonresident parties an optional forum of assured impartiality." Mr. Justice Jackson concurring in *D'Oench, Duhme & Co.* v. *Federal Deposit Ins. Corp.*, 62 Sup. Ct. 676, 683 (1942).

> *"Except in matters governed by the Federal Constitution or by Acts of Congress, the law to be applied in any case is the law of the State."**

This limitation finds statutory support in the Rule of Decisions Act (28 U.S.C., sec. 725), which provides:

> "The laws of the several States, except where the Constitution, treaties, or statutes of the United States otherwise require or provide, shall be regarded as rules of decision in trials at common law, in the courts of the United States, in cases where they apply."

Further recognition that federal questions stand on a separate footing is found in *Hinderlider* v. *LaPlata River & Cherry Creek Ditch Co.*, 304 U. S. 92 (1938) decided on the same day as *Erie* v. *Tompkins*, where Mr. Justice Brandeis stated (at p. 110):

> "* * * whether the water of an interstate stream must be apportioned between the two States *is a question of 'federal common law'* upon which neither the statutes nor the decisions of either State can be conclusive (citing authorities). Jurisdiction over controversies concerning rights in interstate streams is not different from those concerning boundaries. These have been recognized as presenting *federal questions.*"

The exception recognized by Mr. Justice Brandeis is a necessary corollary of *Erie* v. *Tompkins*. For the unseemly conflicts which this rule sought to eliminate there would be substituted a new and more aggravated set of evils were not the supremacy of federal law in the resolution of federal questions to be recognized. Cf. *Irving*

* Italics ours unless otherwise indicated.

Trust Company v. *Day*, 86 L. Ed. 349 (1942). Only in this way can the constitution, statutes and treaties of the United States receive the uniform construction and application which their national character demands.

This Court and the lower federal courts[3] have drawn a distinction between diversity cases and the cases involving federal questions.

In *Board of County Commissioners* v. *U. S.*, 308 U. S. 343 (1939), the suit was by the United States in behalf of an Indian to recover taxes which had been levied by a state taxing authority on land claimed to be exempt from taxation by reason of a treaty between the United States and the Pottawatomie Indians. The question was whether the state or federal law governed the allowance of interest on the illegally collected taxes. In applying federal law, Mr. Justice Frankfurter said (at pp. 349, 350):

> "The issue is uncontrolled by any formal expression of the will of Congress. * * * Effectuation of the exemption is, of course, entirely within congressional control. But Congress has not specifically provided for the present contingency, that is, the nature and extent of relief in case loss is suffered through denial of exemption. It has left such remedial details to judicial implications. Since the origin of the right to be enforced is the Treaty, plainly whatever rule we fashion is ultimately attributable to the Constitution, treaties or statutes of the United States, and does not owe its authority to the law making agencies of Kansas. Cf. *Erie R. Co.* v. *Tompkins*, 304 U. S. 64."

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3. *National Candy Co.* v. *Federal Trade Commission*, 104 Fed. (2d) 999 (C.C.A. 7th, 1939), cert. den., 308 U. S. 610 (1939) (order of Federal Trade Commission forbidding unfair method of competition); *Weil* v. *U. S.*, 115 Fed. (2d) 999 (C.C.A. 2d, 1940), cert. den., 313 U. S. 574 (1941) (taxability of security transfers); *Salvage Process Corp. et al.* v. *Acme Tank Cleaning Process Corp.*, 104 Fed. (2d) 105 (C.C.A. 2d, 1939), cert. den., 308 U. S. 599 (1939).

In *Rawlings* v. *Ray*, 312 U. S. 96 (1941), the question was whether in an action by a receiver of a national bank to recover an assessment imposed upon stockholders by the Comptroller of the Currency, federal or state law determined when the cause of action accrued. Mr. Chief Justice Hughes said (at p. 98):

> "The question as to the time when there was a complete and present cause of action so that the receiver could enforce by suit the liability imposed by the Comptroller's assessment is a federal question and turns upon the construction of the assessment and the authority of the Comptroller to make it under the applicable federal legislation."

The same view was taken in *Royal Indemnity Co.* v. *U. S.*, 313 U. S. 289 (1941), in a suit by the United States on a surety bond which had been filed by a taxpayer with the Collector of Internal Revenue on an application for the abatement of income tax. The question was whether interest was recoverable. Mr. Justice Stone said (at p. 296):

> "But the rule governing the interest to be recovered as damages for delayed payment of a contractual obligation to the United States is not controlled by state statute or local common law. In the absence of an applicable federal statute, it is for the federal courts to determine, according to their own criteria, the appropriate measure of damages expressed in terms of interest, for non-payment of the amount found to be due."

In *Deitrick* v. *Greaney*, 309 U. S. 190 (1940), the suit was by a receiver of a national bank on a promissory note knowingly given to the bank by one of its directors as a substitute for shares of its own stock which had been illegally purchased and retained by the bank. The note

was given to conceal the bank's illegal acquisition of its own stock on the understanding that the maker would not be called upon for payment. The National Banking Act, though prohibiting the purchase of their own stock by national banks, contains no specific provision relating to the enforcement of notes given under the circumstances of this case. Mr. Justice Stone stated (at pp. 200, 201):

> "A point much discussed in brief and argument, upon the assumption that local law will guide our decision, see Erie R. Co. *v.* Tompkins, 304 U. S. 64, is whether by Massachusetts law respondent is precluded from setting up the illegality of the transaction as a defense to his note. But it is the federal statute which condemns as unlawful respondent's acts. The extent and nature of the legal consequences of this condemnation though left by the statute to judicial determination, are nevertheless to be derived from it and the federal policy which it has adopted, see Jackson County *v.* United States, 308 U. S. 343, and cases cited. We have recently held that the judicial determination of the legal consequences which flow from acts condemned as unlawful by the National Bank Act involves decision of a federal, not a state question. Awotin *v.* Atlas Exch. Nat. Bank, 295 U. S. 209."

A similar state of facts was presented for decision in *D'Oench, Duhme & Co.* v. *Federal Deposit Ins. Corp.*, 62 Sup. Ct. 676 (1942). There the majority held that the note had been given in contravention of the policy of the federal banking laws and that therefore the maker's liability should be treated as a federal question and hence not governed by the *Erie* doctrine. The minority felt that the act creating the Federal Deposit Insurance Corporation could have no application to a transaction occurring before its

enactment. Both the majority and minority left open the question whether the *Erie* doctrine applies to all controversies arising in the federal courts outside their diversity jurisdiction when no federal question is presented. Mr. Justice Jackson, concurring, took the position that in cases arising under the laws of the United States, the governing law is federal common law. He states (62 Sup. Ct. at p. 686):

> "A Federal court sitting in a non-diversity case such as this does not sit as a local tribunal. In some cases it may see fit for special reasons to give the law of a particular state highly persuasive or even controlling effect, but in the last analysis its decision turns upon the law of the United States, not that of any state. Federal law is no juridical chameleon, changing complexion to match that of each state wherein law suits happen to be commenced because of the accidents of service of process and of the application of the venue statutes. It is found in the Federal Constitution, statutes, or common law. Federal common law implements the Federal Constitution and statutes, and is conditioned by them."

While this Court thus, since *Erie* v. *Tompkins*, has held that federal questions are governed by federal law, it has not yet expressly excluded the *Erie* doctrine from non-diversity cases which do not raise for decision any federal question. See *D'Oench, Duhme & Co.* v. *Federal Deposit Insurance Co.*, 62 Sup. Ct. 676 (1942).[4]

The basic questions which arise in litigation involving marks registered under the Act of 1905, as amended,

4. Compare *City of Yonkers* v. *Downey*, 309 U. S. 590 (1939), with *Wichita Royalty Co.* v. *City National Bank*, 306 U. S. 103 (1939).

clearly fall within the ambit of the *Hinderlider, Board of County Commissioners, Rawlings* and *Royal Indemnity Co.* cases.

Trade mark litigation calls for the application of (a) specific statutory provisions, (b) the construction of the general terms in these statutes, or (c) the determination of interstitial points which are not expressly covered by the statute.

Questions of the first two types are clearly outside the purview of *Erie* v. *Tompkins.* Questions of the third type are of the same nature as those decided on the basis of federal law in the *Board of County Commissioners, Rawlings* and *Deitrick* cases.

More than a quarter of a century ago, in *Thaddeus Davids Co.* v. *Davids,* 233 U. S. 461 (1914), this Court treated the validity of a mark registered under the ten-year proviso of Section 5 of the 1905 Act and the scope of protection to be afforded such mark as questions of statutory construction. After pointing out the resemblance between marks registered under the ten-year proviso and common law trade names which had acquired a secondary meaning, Mr. Justice Hughes stated (at p. 471):

> "* * * this is not to say that, in this view, the case becomes one simply of unfair competition, as that category has been defined in the law; for, whatever analogy may exist with respect to the scope of protection in this class of cases, *still the right to be protected against an unwarranted use of the registered mark has been made a statutory right,* and the courts of the United States have been vested with jurisdiction of suits for infringement, regardless of diversity of citizenship."

An analogous situation may be found in *Sheldon* v. *Metro-Goldwyn Pictures Corp.*, 309 U. S. 390 (1940), where this Court construed the accounting provisions of the Copyright law, which are very similar to the cognate provisions of the Trade-Mark Act.[5] Though this case arose after the decision in *Erie* v. *Tompkins*, this Court looked only to its own decisions. Indeed, Mr. Chief Justice Hughes stated (at p. 402):

> "Both the Copyright Act and *our decisions* leave the matter to the appropriate exercise of the equity jurisdiction upon an accounting to determine the profits 'which the infringer shall have made from such infringement' ".

Our analysis of the Trade-Mark Act of 1905, as amended, in Point I discloses that Congress, in the enactment of the statute, occupied the field of the registration and protection of trade-marks used in interstate commerce. Though primarily a registration law, this Act contains numerous provisions which are applicable to the determination of such important issues in trade-mark litigation as validity of registration, infringement, remedies including accounting and defenses. Some areas of the law of trade-marks, as we have seen, are only partially covered by the statute.[6] We respectfully submit that the statute is suffi-

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5. Section 25 of the Copyright Act (17 U.S.C., Sec. 25), reads as follows:

> "If any person shall infringe a copyright in any work protected under the copyright laws of the United States such person shall be liable * * * (b) To pay to the copyright proprietor such damages as the copyright proprietor may have suffered due to the infringement, as well as all the profits which the infringer shall have made from such infringement, and in proving profits the plaintiff shall be required to prove sales only and the defendant shall be required to prove every element of cost which he claims."

6. Cf. Mr. Justice Frankfurter in *Board of County Commissioners* v. *U. S.*, 308 U. S. 343, 351 (1939):

> "Having left the matter at large for judicial determination within the framework of familiar remedies equitable in their nature, see Stone *v.* White, 301 U. S. 532, 534, Congress has left us free to take into account appropriate considerations of 'public convenience'."

ciently comprehensive to warrant the finding of this Court that Congress has occupied this field, and that federal law is decisive on the various questions which we have discussed arising in litigations involving trade marks registered under this Act.[7]

The case at bar presents for decision the question of whether federal law governs the accounting of profits and the recovery of damages. In both instances, there are specific statutory provisions which are undeniably applicable, as well as general provisions calling for construction. These statutory provisions are clearly the basis of the claims now pressed by the petitioner in this Court. The interstitial questions involved are so tied up with the statutory provisions that it would be difficult, and we submit, unwise, to refer to the varying laws of the several states for their determination. They are not dissimilar in nature from the questions which were held to be governed by federal law in the cases above reviewed.

Neither *Kellogg Co.* v. *National Biscuit Co.*, 305 U. S. 111 (1938), nor *Armstrong Paint and Varnish Works* v. *Nu-Enamel Corp.*, 305 U. S. 315 (1938), were concerned with trade-marks registered under the Act of 1905. The observations of Mr. Justice Brandeis in footnote 1 of the opinion in the *Kellogg* case related to litigation in which federal jurisdiction rests on diversity of citizenship. In the *Nu-Enamel* case, Mr. Justice Reed left open the question of the applicability of *Erie* v. *Tompkins* to litigation under the Act of 1920.[8]

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7. Compare: *O'Brien* v. *Western Union Telegraph Co.*, 113 F. (2d) 539 (C.C.A. 1st, 1940); *Vaigneur* v. *Western Union Telegraph Co.*, 34 F. Supp. 92 (E. D. Tenn., 1940); McCormick and Hewins, The Collapse of "General" Law in the Federal Courts (1938) 33 Illinois Law Review 136, 143 ff; *Adams Express Co.* v. *Croninger*, 226 U. S. 491 (1912); *Southern Express Co.* v. *Byers*, 240 U. S. 612 (1916); *Western Union Telegraph Co.* v. *Brown*, 234 U. S. 542 (1914); *Western Union Telegraph Co.* v. *Boegli*, 251 U. S. 315 (1920).

8. 305 U. S. 315, 333, note 19.

In *Pecheur* v. *National Candy Company*, 122 Fed. (2d) 318 (C.C.A. 3d, 1941) cert. granted 62 Sup. Ct. 182 (1941), the suit was for the infringement of an *unregistered* mark and jurisdiction was based upon diversity of citizenship. There was also involved in the litigation a federal copyright of a label but the effect of the federal copyright does not appear to have been considered by the lower courts and was not pressed in the briefs submitted to this Court.

Conclusion

It is our belief that *Erie* v. *Tompkins* has no application to either of the two questions covered by the present writ and that federal law must govern their determination.

Respectfully submitted,

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